



CALIFORNIA
DEPARTMENT OF
EDUCATION

1430 N STREET
SACRAMENTO, CA
95814-5901

JACK O'CONNELL

State Superintendent of
Public Instruction

PHONE: (916) 319-0800

June 20, 2005

Ms. Paula Higashi
Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Dear Ms. Higashi:

As requested in your letter dated June 15, 2005, the California Department of Education is submitting the following letter related to my testimony to the Commission on May 26, 2005 during it's reconsideration of the Standardized Testing and Reporting (STAR) program test claim (Case No. 04-RL-9723-01) and to the submission of additional evidence dated June 9, 2005.

In that testimony I stated that the Superintendent of Public Instruction, the California Department of Education, and the State Board of Education view the No Child Left Behind Act (Public Law 107-110) as imposing a federal mandate on the State of California, and that the U.S. Department of Education uses sanctions, fines, and penalties (or the threat thereof) to ensure that states comply with the requirements of this federal law, including the testing requirements that California meets using the STAR system.

In response to the latest request from the Commission dated June 15, 2005, (*What amount of California's federal funding from No Child Left Behind is allowable for state administration?*), I submit the attached declaration.

Thank you for the opportunity to testify and to provide this additional evidence. If you have any questions regarding this letter you may contact me at (916) 445-0541 or Don Killmer, Education Fiscal Services Consultant at (916) 323-2591.

Respectfully,

Gerald C. Shelton, Director
Fiscal and Administrative Services Division

Attachment — Declaration of Gerald C. Shelton:

DECLARATION OF GERALD SHELTON

I, GERALD C. SHELTON, hereby declare as follows:

1. I submit this declaration in support of my testimony to the Commission on State Mandates during the Commission's reconsideration of the Standardized Testing and Reporting (STAR) program test claim (Case No. 04-RL-9723-01).

2. I am currently the Director of the Fiscal and Administrative Services Division in the California Department of Education and function as the chief fiscal officer of that Department. I have held that position since September 2002. Prior to that date, I served as the Administrator of Fiscal Policy Office in the California Department of Education, coordinating the Department's fiscal role in the development of the State budget through three annual budget cycles. For more than five years I have also had the responsibility for developing the Department's fiscal analysis of and reaction to issues related to state mandated costs, including cases being heard by the Commission on State Mandates. I have been employed by the California Department of Education since 1995. I received my Undergraduate and Graduate degrees from the University of California, Davis, in Economics with a specialization in the field of Public Finance. I taught in this field, as well as other areas of Economics and Public Policy, as a full-time faculty member in the Department of Economics at the California State University, Sacramento from 1980 through 1995.

3. On May 26, 2005, during the Commission's reconsideration of the Standardized Testing and Reporting (STAR) program test claim, I testified on behalf of the Superintendent of Public Instruction, the California Department of Education, and the State Board of Education that, as the organizational entities charged with administering programs under the federal No Child Left Behind Act (Public Law 107-110; NCLB), we see that NCLB clearly imposes a federal mandate on the State of California. We also know from direct experience and the experience of other states that the U.S. Department of Education uses sanctions, fines, and penalties (or the threat thereof) to compel and

coerce states into full compliance with the requirements of this federal law, including the testing requirements that California meets using the STAR system.

4. In my testimony I also stated that federal state-level grants to California under NCLB total more than \$3 Billion, an amount equaling approximately 7.6% of our state's K-12 education expenditures. The loss of this amount of funding would be devastating to K-12 education in California, especially when it is considered that a high proportion of these funds are targeted at schools and districts with the least amount of available non-federal resources and with student populations whose education presents the highest level of challenge and cost. Clearly this substantial loss of funds would significantly impact students throughout California.

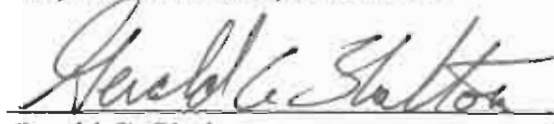
5. Subsequent to that testimony and additional evidence submitted to the Commission on June 9, 2005, the Commission formally requested (June 15, 2005) further information from the California Department of Education. Specifically the Commission asked the question, "What amount of California's federal funding from No Child Left Behind is allowable for state administration?"

6. Of the \$3.012 billion in state level NCLB grants allocated to California for fiscal year 2004-05, \$109 million is allowable for State Administration purposes. These State Administration funds are allowed to ensure that California meets the requirements of NCLB and fully administers the NCLB programs funded by the remaining \$2.9 billion in the state's NCLB grants.

7. Total funding from all fund sources in 2004-05 for state operations for the California Department of Education (excluding the separate operations of the State Special Schools) is \$206 million. Thus allowable State Administration funds for NCLB are greater than 50% of the appropriated and authorized state operations funding for the California Department of Education.

I declare under penalty of perjury that the foregoing is true and correct and of my own personal knowledge. If called upon to do so I could and would competently so testify.

Executed this 20th day of June 2005, at Sacramento, California.

A handwritten signature in black ink, appearing to read "Gerald C. Shelton", written over a horizontal line.

Gerald C. Shelton

PROOF OF SERVICE

Test Claim Name: Standardized Testing and Reporting (Reconsideration)
Test Claim Number: 04-RL-9723-01

I, the undersigned, declare as follows:

I am employed in the County of Sacramento, State of California, I am 18 years of age or older and not a party to the within entitled cause; my address ins 1430 N Street, Suite 2213, Sacramento, CA 95814.

On June 20, 2005, I served the attached letter of the California Department of Education in said cause, by placing a true copy thereof: (1) to claimant enclosed in a sealed envelope with postage thereon fully prepaid in the United States Mail at Sacramento, California; and (2) to state agencies in the normal pickup location at 1430 N Street, Suite 2213, for Interagency Mail Service, addressed as follows:


A-16
Ms. Paula Higashi, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

B-8
State Controller's Office
Division of Accounting & Reporting
Attention: William Ashby
3301 C Street, Room 500
Sacramento, CA 95816

B-29
Legislative Analyst's Office
Attention: Marianne O'Malley
925 L Street, Suite 1000
Sacramento, CA 95814

A-15
Department of Finance
Education Unit
Attention: Jeannie Oropeza
915 L Street, 7th Floor
Sacramento, CA 95814

I declare under penalty of perjury under the laws of the State of California that the forgoing is true and correct, and that this declaration was executed on June 20, 2005 at Sacramento, California.



Donald E. Kilmer
Education Fiscal Services Consultant